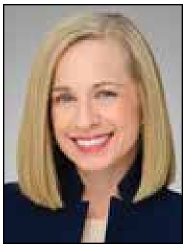

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Navigating the Gray Area

Defining board and executive leadership roles.

Boards and executive teams are most effective when each group respects the other's scope and authority. In theory, the distinction is simple: The board governs, and the executive leadership team leads and executes.

In practice, however, blurred roles continue to be common in today's complex and dynamic healthcare environment. This unclear area between board governance and executive leadership is a common source of tension that presents risks if not thoughtfully addressed. Ironically, much value can be found in the gray area, as well. The trick is in clarifying complementary and collaborative roles.

The foundational principles of good governance call for clear delegations of authority and documented roles and responsibilities. Most directors and executive leaders can recite the core tenets of their roles—leadership sets and implements strategic direction, while the board provides input and approves it. The board monitors performance, while leadership determines the "how" and delivers results.

While this delineation and understanding of roles remains essential, real-world decision-making and leadership doesn't always fit neatly into one domain or the other. The execution of strategic priorities is dynamic and complex; organizations benefit from shared insight between the board and executives.

Identifying Gray Areas

Certain areas and situations consistently lead to tensions in role clarity. These situations are not failures of governance or structure but rather are natural responses to complexity or challenges. In our experience, these blurred lines of leadership often arise in three areas: strategic planning, financial oversight and crisis management.

Strategic Planning

Boards are responsible for approving strategic direction and ensuring that strategy is grounded in the mission of the organization. Executives are subject-matter experts charged with leading the development and implementation of the strategic plan. With a deep understanding of the internal and external environments, the leadership team has the knowledge and experience to shape strategies aligned with mission and designed to achieve organizational goals.

Conversely, boards play an important role in providing input, challenging assumptions and reinforcing prioritization. In successful organizations—especially in today's quickly changing and complex world—strategic planning is a shared exercise between the board and executive leadership. Executive leadership should create the strategic framework and share it with the board to gain input that helps shape the final plan. Collaboration in strategic planning may blur leadership roles, but if managed well, the outcome is a better-informed and aligned plan for the organization.

Financial Oversight

Boards have a fiduciary duty to ensure the organization is financially solvent and remains a sustainable community asset. They approve operating and capital budgets, monitor financial results, ensure needed investments and hold leadership accountable for implementation. On the other hand, executive leadership is responsible for developing budgets and making spending decisions that support strategic goals.

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When directors scrutinize line-item decisions or question routine spending, executive leadership feels micromanaged and tensions arise.

To best navigate the close lines of financial oversight, boards should focus on trends, key performance indicators, material budget disparities and key risk implications. Simultaneously, executive leaders must ensure the board has access to timely data and the right level of information to make informed board-level decisions.

Crisis Management

When boards and leadership teams are faced with managing a crisis, the stakes are amplified, and timelines for decision-making are compressed. These moments include significant periods of financial distress, public health emergencies, rapid regulatory change, executive leadership transitions or reputational controversies.

In these scenarios, boards commonly become more visible, vocal and involved in operational decision-making. Executive leaders tend to communicate with directors more frequently and with greater detail than during times of stability. Faced with a crisis as the organization navigates uncharted waters, directors may seek more reassurance that the team is on the right track. In times of uncertainty, the diverse experiences of directors often position them as key resources for the leadership team in discrete operational areas.

Working across traditional lines of authority in a crisis can be healthy and productive if parties recognize that the shift in roles is only temporary, and communication is open, intentional and bidirectional. It is important to realign after a crisis and return to a pre-crisis communication and meeting cadence that best provides strategic oversight and supports the executive leadership team.

Successfully Navigating the Gray Area

Gray areas of leadership usually do not result from inadequate governance, but, rather, from complexity, a collaborative culture and directors with deep and relevant expertise. Understanding these contributing factors can help teams anticipate potential gray areas and navigate them well.

The most effective boards address ambiguity directly. Boards and executive leaders can navigate gray areas by implementing three practices:

1. ***Revisit role clarity regularly***. As part of board recruitment, prospective directors should gain a clear understanding of board and executive roles. Role expectations should be reinforced both during new director onboarding and through ongoing board education, as well as with new executive leaders and executive teams.

2. ***Name it when it happens***. When gray areas arise, executive leadership and the board chair should come together to identify the overlap, delineate roles and facilitate dialogue with the board. The sooner this mitigation occurs, the lower the risk of developing tension, frustration and inefficiency.

3. ***Build trust with intention***. Boards may overstep when they don't fully trust information flow or the ability of executive leadership to execute. At the same time, executives may interpret constructive challenges by the board as lack of confidence. The ability to navigate the gray area is built on a foundation of trust. While all directors and executive leadership play a role in building trust, the board chair has a unique role to intentionally facilitate candid conversation, empower executive leadership and ensure accountability across roles and responsibilities.

Gray areas of leadership are inevitable—and are essential. Healthy tension between executive leadership and the board allows for more transparent dialogue and more thoughtful decision-making. These blurred lines are not inherently negative but can become so if they are not recognized and discussed.

Strong trust between the board and executive team is a critical factor in both governance and executive effectiveness. When roles are clearly defined and gray areas are navigated with intention, the synergy between the board and executive leadership results in a more rewarding experience and greater organizational impact. ▲

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